

Trading Australia Away

ALP Grayndler Forum

7.30 – 9.00 pm

Thursday 13 November 2003

Marrickville Town Hall

303 Marrickville Road

Marrickville NSW 2204

Senator Stephen Conroy

Shadow Minister for Trade, Corporate Governance,

Financial Services and Small Business

Trading Australia Away

Thank you Anthony.....

Tonight's theme "*Trading Australia Away*" tends to suggest Australia has gained little from its participation in the international trading system.

Australia would not be the vibrant, dynamic, and increasingly prosperous nation we are today if we didn't engage in international trade and commerce from our early beginnings to the present day.

Rather than *Trading Australia Away* I see it more as a case of *Trading Australia's Way*.

As a middle-sized economy, Australia has been a great beneficiary of a rules based international trading system, formerly know as the GATT and now the WTO.

There have been ebbs and flows in our engagement with the international economy and times when we have imposed protective barriers in an attempt to cushion our manufacturing sector from overseas competition.

But this approach did not work in the past and high tariffs have never maintained high levels of employment in Australia - or any other country for that matter.

For example, between 1974 and 1984 the level of protection in the textiles, clothing and footwear industry in Australia increased by 12 per cent a year.

But during the same period, employment in the industry fell by 3 per cent a year.

It took the intellectual capacities of the Labor Party to recognise the false economy of high tariffs.

And the commitment and leadership of the Party to implement outward orientated economic and trade policies that have secured a vibrant, highly skilled and export orientated manufacturing sector for Australia.

Over the past two decades Australia's manufacturing sector has undergone considerable structural change.

But contrary to what some of you may be led to believe Australia's manufacturing sector has not been *Traded Away*.

Manufacturing remains the largest employer of full time workers and the second largest employer overall in Australia.

And an increase in manufacturing imports in Australia, in response to our tariff reductions, has led to significant increases in manufacturing exports – at an average of 9 per cent per year since the early 1990s.

This is good news for Australian workers and our communities.

Research by AUSTRADE has found that exporters, on average, paid their workers 60 per cent more than non-exporters.

Australian exporters are also more likely to use collective bargaining to raise wages and productivity within the business than non-exporters who barely paid minimum wages.

International trade also makes it possible for developing countries that open up to experience rapid progress in raising their people out of poverty, and providing jobs and economic security for their communities.

Those countries engaged in trade have achieved double the average annual growth of developing countries that are not engaged in trade.

This is most evident in East Asia with the rapid economic growth of developing countries such as Korea, Taiwan, Malaysia, Singapore and more recently China.

By contrast, those countries that have not actively opened up to the international trading system, whether it is because of political, institutional or historical reasons, remain amongst the poorest in the world.

This is most evident in sub-Saharan Africa and parts of Latin America and the Caribbean.

The most effective way we can lift the standard of living of developing countries is through buying the goods they produce.

For many developing countries, this means a significant outcome in the WTO's Doha Development Round on agriculture - the major source of economic activity and employment in most developing countries.

The failure of the September WTO Meeting in Cancun to reach agreement on how the agriculture negotiations should proceed is not a promising sign.

But an ambitious outcome on agriculture is fundamental to a successful conclusion of the Doha Round.

And essential if developing countries are to be given far greater opportunities to benefit from international trade.

As I said earlier, international trade must be conducted under a rules based system to protect the rights and interests of all countries irrespective of their economic size or political muscle.

We must also have fair trade in the sense that, countries should not be able to exploit child or prison labour.

And fundamental labour standards, including the right to freely associate with and join organised labour unions, the right to collective bargaining and non-discrimination, must be respected and permitted.

The free trade agreement the Government is pursuing with the United States is a major issue on the trade policy agenda at the moment.

In regard to the FTA, let me begin by noting that Labor does not oppose FTAs – indeed the Hawke Government signed Australia’s first FTA with New Zealand back in March 1983.

Both Australia and New Zealand have benefited greatly from that FTA and continue to do so.

But FTAs must be good for all parties to the agreement.

To be truly beneficial to all parties, FTAs must meet certain tests.

Labor will only support FTAs if they:

- deliver significant and comprehensive benefits to Australia in a reasonable period of time;
- do not undermine our trading relationships with other nations;

- do not undermine the right of Australian Governments to make their own decisions in the interests of Australians and our local industries – for instance in the future delivery of audio visual products;
- do not undermine the ability of the Australian Government to provide and regulate essential services in health and education; including the pharmaceutical benefits scheme;
- do not detract from our objectives in the WTO and in APEC; and they must
- create jobs for Australia.

I, of course, have not been privy to the Australia US FTA negotiations, however I have met with the lead negotiators from both sides – Steve Deady, Australia’s lead negotiator and Ralph Ives, the US lead negotiator.

And I pursued the US FTA in Senate Estimates last week with Steve Deady.

In discussions with the FTA negotiators, I have highlighted Labor’s specific concerns about the FTA and laid down a number of markers on which our approach to the FTA will be determined.

Labor will not support any agreement that undermines the Pharmaceutical Benefits Scheme and results in any increase in the cost of essential medicines.

The Government has told us the US is not seeking changes to the substance of the PBS, but rather, the US is seeking increased transparency in the decision making processes of the PBS.

My concern is that US pharmaceutical companies will be pushing for increased returns on their products sold in Australia.

If successful, this would mean higher prices of essential medicines for all Australians.

I will not allow this to happen.

Labor would prevent such an outcome in the Senate.

I am also greatly concerned that the US has not yet tabled a request on the PBS.

The final round of official's negotiations on the FTA is to begin in the first week of December.

Both Governments want the FTA completed and voted on by Congress before the US Presidential Campaign begins in earnest next year.

For this to occur, the content of the FTA needs to be agreed by the end of this year - or end of January at the latest - to enable it to be considered by the US Congress for the required 3 month period before voting on it.

The Australian Government is running out of time.

With Howard so desperate to get an FTA with the US to prove just how close he is to Bush – as if its possible to get any closer - you don't have to be Einstein to work out who has the whip hand and who will have to make most, if not all, of the compromises on the range of outstanding issues to get the deal done.

This scenario is not conducive to getting a good deal for Australia.

In terms of Australia's cultural heritage and the arts, Labor will not accept any reduction in the share of programming that must be made locally – i.e. local content rules – and we must maintain the capacity to regulate future digital services.

The US lead negotiator said in a radio interview recently that the US is prepared to accept Australia's local content quotas on existing broadcasting.

However, the US is seeking a narrower definition of the arrangements Australia has agreed with Singapore on the regulation of future digital services, in the Singapore Australia FTA.

To what extent it will be narrowed – or how the reservation applying to the future delivery of digital services will be defined - is unclear.

I am well aware that governments do have the capacity to regulate new media.

Governments around the world regulate the internet in respect of gambling and censorship.

Work undertaken by the Australian Film Commission shows that of 18 new forms of audiovisual content delivery only three technologies are currently unregulated in Australia, or any country outside of Australia to support local content.

Any free trade agreement must not undermine the capacity of future Australian governments to regulate any future mediums for the delivery of local content.

The outcome of negotiations in this area is a key issue on which the Labor Party will determine its approach to the FTA.

We will not allow the Howard Government to *Trade Away* Australia's culture and heritage - just to get the deal done.

Agriculture, you would be aware, is a big issue for the Government.

The two offers put on the table so far by the US on agriculture have, according to Minister Vaile, been disappointing and the Government is seeking an improved offer at the next Round of discussions in December.

I remain sceptical about the willingness, or the capacity, of the US to offer Australia a comprehensive deal on agriculture within reasonable phase-in periods for tariff reductions of around 5 years.

There is speculation the FTA will include an Investor State Dispute Settlement mechanism.

Such a mechanism gives companies the right to seek independent international arbitration - beyond the domestic courts - in the event of a dispute with government laws or regulations.

Of concern here is whether the carve outs negotiated by Australia in the FTA will effectively protect our service providers, such as Australia Post, from possible legal action by US companies competing against Australia Post.

In Senate Estimates, Steve Deady advised that it is possible to carve out via a 'negative list', Australian service providers – even those that compete in the provision of services with the private sector, such as Australia Post – from the investor state provisions.

Of concern, however, is how these carve outs will be defined – not only to protect services currently provided - but also any future services which should be protected.

This is an area of the agreement the Government must get right to prevent any possible future legal action in an international tribunal by American companies who consider they are being discriminated against by Australia's domestic laws or regulations.

Investor State Dispute provisions in NAFTA have given rise to legal action by US companies against Canadian and Mexican law.

A similar situation must not be allowed to occur in Australia.

The US has also identified the Foreign Investment Review Board (FIRB) as an area where it may seek some changes to reduce - or eliminate - barriers to US investment in Australia.

This is another key area where the Government will have to clearly carve out the 'no go' areas on investment.

The Government must not give up the right to screen US investment proposals in Australia.

Finally, and in an ironic twist, to meet US Congressional requirements a US Republican Administration will be seeking chapters on Labour and Environment with a conservative Australian Government.

I am not privy to what the content of these chapters may be, but I can assure you that Labor will not support any diminution of Australia's labour and environmental laws and standards.

This is another threshold issue on which we will determine our assessment of the FTA.

In closing, let me assure you that Labor will only support the US FTA if it is a good deal for Australia.

It must be a good deal – not a fast deal.

A deal in Australia's interest.

A deal in the interests of our manufacturing sector and our agricultural sector.

A deal that maintains the integrity and affordability of our health and education systems.

A deal that maintains the diversity and uniqueness of Australian culture and heritage through our arts and entertainment industries.

And a deal in the interests of our Information Technology industries to ensure we can continue to build a knowledge based society.

This deal must deliver jobs to our communities and be in Australia's national interest.

We will not support a deal that is only in Prime Minister Howard's interest.

Thank you.